



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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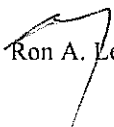
October 23, 2009

Mosquito and Vector Management District
P.O. Box 1389
Summerland, CA 93067

Attached is a draft copy of your audit with the Management's Discussion and Analysis included, for your review. After reviewing and upon your approval, please sign and fax back this letter to our office. We will not finalize the audit until we receive your response, a signed and dated Management Representation Letter (to be prepared by you).

Sincerely,

MOSS, LEVY & HARTZHEIM LLP


Ron A. Levy, CPA

RESPONSE:

I have reviewed the draft copy of the audit for Mosquito and Vector Management District and give my approval.

By: _____

Title: _____

Date: _____

OFFICES: BEVERLY HILLS · SANTA MARIA

MEMBER AMERICAN INSTITUTE OF C.P.A.'S · CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS · CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

**MOSQUITO AND VECTOR
MANAGEMENT DISTRICT
OF SANTA BARBARA COUNTY**

AUDIT REPORT
June 30, 2009

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MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY

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June 30, 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Mosquito and Vector Management District of Santa Barbara County
Summerland, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mosquito and Vector Management District of Santa Barbara County (the District) as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Mosquito and Vector Management District of Santa Barbara County. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1 to basic financial statements effective July 1, 2008, the Mosquito and Vector Management District of Santa Barbara County adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Mosquito and Vector Management District of Santa Barbara County, as of June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 and 3, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MOSS, LEVY & HARTZHEIM LLP

October 21, 2009

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

In October 2008, a new General Manager was hired to administer the routine activities of the Mosquito and Vector Management District of Santa Barbara County. This General Manager has worked closely with the Board of Trustees to improve the efficiency and effectiveness of District operations. This section presents historical information and discusses specific topics that occurred during the fiscal year ending June 30, 2009. Readers are encouraged to peruse this information in conjunction with the accompanying financial statements.

Summary of Organization – an Overview

The District was formed in 1956, under the statutes of the State of California Health and Safety Code Sections 200-2093, for the purpose of protecting the public health from various stipulated disease vectors. The District boundaries include all of the unincorporated areas of Santa Barbara County plus the cities of Carpinteria, Goleta, and Santa Barbara. The cities of Santa Maria, Guadalupe, Lompoc, Buellton and Solvang are not currently serviced by the District. Approximately 235,000 people receive services from the District. The District staff presently numbers six persons.

The cities of Carpinteria, Goleta and Santa Barbara receive enhanced vector services as a result of the public's approval of two benefit assessments in these areas. The distinction between enhanced vector services and the basic services received by the remainder of the District's service area are detailed annually in an Engineer's Report typically released in the month of May.

Currently, District staff is conducting increased surveillance measures in Northern Santa Barbara County in an effort to ascertain the need to provide vector services to those cities not currently serviced by the District.

Overview of the Financial Statements

The basic financial statements in this audit include: 1) Government-wide Financial Statements, including a statement of Net Assets and Activities; 2) Fund Financial Statements, including a Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance, and Reconciliations of these Statements to the Government-wide Statements; and 3) Notes to Basic Financial Statements. The Notes provide detailed information pertaining to significant accounting policies, cash and investments, property taxes, insurance, net assets, and contingencies. The District manages its finances in two funds. The General Fund which contains monies allocated to the routine operations of the District, and the Capital Reserve Fund which includes monies designated for future use such as significant improvement to the District headquarters. This fiscal year \$57,576 was transferred from the General Fund into the Capital Reserve Fund to account for annual accumulated depreciation of District capital assets.

Financial Highlights

Fiscal year 2008-2009, was the fourth year in which the District provided enhanced vector control services in the expanded Zone 1. Formerly consisting only of the City of Goleta, Hope Ranch, and

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

other areas of the Goleta Valley, Zone 1 was expanded in 2004 to include the City of Santa Barbara and the communities of Mission Canyon, Montecito, and Summerland. The Zone 1 expansion was accompanied by a corresponding increase in revenues due to the Benefit Assessment now in place in the new areas of Zone 1. The increased revenues funded two additional Vector Control Technician positions required to provide service to the new areas.

Summary

The District increased surveillance of the mosquito populations in the unincorporated portions of the North County which receive basic vector control services. The District added a sentinel chicken flock in the Santa Ynez Valley which provides more complete coverage for disease surveillance. The District continues to purchase and utilize more biorational mosquito pesticides in an effort to be more environmentally friendly.

Due to the Tea Fire and Jesusita Fire burn areas, the District encountered a large number of green pools and un-maintained ornamental ponds. As a result, a large number of mosquito fish were planted in these areas to minimize the potential fly off of disease carrying mosquitoes. This action dramatically reduced the supply of available mosquito fish late in the fiscal year. Larger quantities of these mosquito eating fish are scheduled to be ordered in the next fiscal year.

The District also began a heightened public relations program through attendance at local festivals, such as the Earth Day Festival, where District staff discussed vector issues and services offered with Santa Barbara County residents. In addition, the District launched an updated and modernized website where constituents can view up to date information about the District quickly and easily. The District also held a "Design the District Logo" contest for all Santa Barbara county high school and college students. Well over one hundred submissions were received with the top high school and college submissions receiving a \$200 and \$300 scholarship respectively.

Lastly, the District began informal discussions with the Carpinteria – Summerland Fire District in regard to combining the two Districts into one facility to reduce overhead costs thereby improving services to their individual constituents. The Mosquito and Vector Management District of Santa Barbara County looks forward to progressing into more formal discussions regarding this topic.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,011,068
Accounts receivable	8,930
Interest receivable	3,769
Inventory	29,125
Prepaid insurance	8,868
Deposits	46,489
Capital assets:	
Nondepreciable	175,000
Depreciable, net	<u>211,000</u>
 Total assets	 <u>1,494,249</u>
LIABILITIES	
Accounts payable	14,728
Salaries payable	16,254
Noncurrent liabilities	
Due in more than one year	<u>24,092</u>
 Total liabilities	 <u>55,074</u>
NET ASSETS	
Invested in capital assets, net of related debt	386,000
Unrestricted	<u>1,053,175</u>
 Total net assets	 <u>\$ 1,439,175</u>

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The notes to basic financial statements are an integral part of this statement.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>		<u>Capital Contributions and Grants</u>
Governmental activities:					
Vector control	\$ 744,800	\$ 40,509	\$ -	\$ -	\$ (704,291)
Total governmental activities	<u>\$ 744,800</u>	<u>\$ 40,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(704,291)</u>
General Revenues					
Taxes:					
Secured and unsecured property taxes					329,225
Special assessments					396,036
Investment income					29,516
Intergovernmental					11,249
Other revenue					11,651
Total general revenues					<u>777,677</u>
Change in net assets					73,386
Net assets, beginning of fiscal year					<u>1,365,789</u>
Net assets, end of fiscal year					<u>\$ 1,439,175</u>

The notes to basic financial statements are an integral part of this statement.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
GOVERNMENTAL FUNDS
BALANCE SHEET
 June 30, 2009

	General Fund	Capital Reserve Fund	Total
ASSETS			
Cash and investments	\$ 668,450	\$ 342,618	\$ 1,011,068
Accounts receivable	8,930		8,930
Interest receivable	2,626	1,143	3,769
Inventory	29,125		29,125
Prepaid insurance	8,868		8,868
Deposits	46,489		46,489
	<u>46,489</u>	<u> </u>	<u>46,489</u>
 Total assets	 <u>\$ 764,488</u>	 <u>\$ 343,761</u>	 <u>\$ 1,108,249</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 14,728	\$ -	\$ 14,728
Salaries payable	16,254		16,254
	<u>16,254</u>	<u> </u>	<u>16,254</u>
 Total liabilities	 <u>30,982</u>	 <u> </u>	 <u>30,982</u>
Fund Balances:			
Reserved:			
Inventory	29,125		29,125
Prepaid insurance	8,868		8,868
Unreserved:			
Designated	289		289
Undesignated	695,224	343,761	1,038,985
	<u>695,224</u>	<u>343,761</u>	<u>1,038,985</u>
 Total fund balances	 <u>733,506</u>	 <u>343,761</u>	 <u>1,077,267</u>
 Total liabilities and fund balances	 <u>\$ 764,488</u>	 <u>\$ 343,761</u>	 <u>\$ 1,108,249</u>

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The notes to basic financial statements are an integral part of this statement.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances - governmental funds \$ 1,077,267

Amounts reported for governmental activities in the statement of net assets are different because:

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	731,324	
Accumulated depreciation		(345,324)	
			Net 386,000

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Long-term debt and compensated absences have not been included in the governmental funds activity:

Compensated absences		(24,092)	
	Total		(24,092)

Total net assets - governmental activities \$ 1,439,175

The notes to basic financial statements are an integral part of this statement.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2009

	General Fund	Capital Reserve Fund	Total
Revenues:			
Taxes	\$ 329,225	\$ -	\$ 329,225
Special assessments	396,036		396,036
Revenue from contract services	40,509		40,509
Intergovernmental revenue	11,249		11,249
Interest	20,056	9,460	29,516
Other revenue	11,651		11,651
Total revenues	808,726	9,460	818,186
Expenditures:			
Salaries and benefits	488,610		488,610
Uniforms	3,567		3,567
Communications	8,173		8,173
Insurance	19,841		19,841
Maintenance and repairs	28,163		28,163
Operating supplies	7,327		7,327
Lab supplies	4,334		4,334
Memberships	7,650		7,650
Office and miscellaneous expenses	10,635		10,635
Professional fees	52,740		52,740
Transportation and travel	7,434		7,434
Chemicals	35,140		35,140
Fuel	9,475		9,475
Utilities	4,439		4,439
Administration fees	5,474		5,474
Publications and legal notices	500		500
Rent	200		200
Training	2,510		2,510
Capital outlay	11,374		11,374
Total expenditures	707,586		707,586
Excess of revenues over (under) expenditures	101,140	9,460	110,600
Other Financing Sources (Uses):			
Operating transfers in		57,576	57,576
Operating transfers out	(57,576)		(57,576)
Total other financing sources (uses)	(57,576)	57,576	
Excess of revenues and other financing sources over (under) expenditures and other uses	43,564	67,036	110,600
Fund balances, July 1	689,942	276,725	966,667
Fund balances, June 30	<u>\$ 733,506</u>	<u>\$ 343,761</u>	<u>\$ 1,077,267</u>

The notes to basic financial statements are an integral part of this statement.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Net change in fund balances - governmental funds \$ 110,600

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$11,374 is less than depreciation expense \$43,223 in the period.

(31,849)

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount financial resources used (essentially the amounts paid). This fiscal year, vacation earned exceeded the amount used by \$5,365.

(5,365)

Change in net assets - governmental activities

\$ 73,386

The notes to basic financial statements are an integral part of this statement.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 311,700	\$ 311,700	\$ 329,225	\$ 17,525
Special assessments	390,000	390,000	396,036	6,036
Revenue from contract services	50,000	50,000	40,509	(9,491)
Intergovernmental revenue	5,300	5,300	11,249	5,949
Interest	13,500	18,082	20,056	1,974
Other revenues			11,651	11,651
Total revenues	<u>770,500</u>	<u>775,082</u>	<u>808,726</u>	<u>33,644</u>
Expenditures:				
Salaries and benefits	549,085	549,085	488,610	60,475
Uniforms	3,500	3,500	3,567	(67)
Communications	9,500	9,500	8,173	1,327
Insurance	30,000	30,000	19,841	10,159
Maintenance and repairs	48,000	48,000	28,163	19,837
Operating supplies	6,700	6,700	7,327	(627)
Lab supplies	18,000	18,000	4,334	13,666
Memberships	7,200	7,200	7,650	(450)
Office and miscellaneous expenses	9,460	9,460	10,635	(1,175)
Professional fees	55,000	55,000	52,740	2,260
Transportation and travel	5,000	5,000	7,434	(2,434)
Chemicals	37,000	37,000	35,140	1,860
Small tools	500	500		500
Fuel	17,000	17,000	9,475	7,525
Utilities	3,500	3,500	4,439	(939)
Administration fees			5,474	(5,474)
Publications and legal notices	1,200	1,200	500	700
Rent	1,000	1,000	200	800
Training	3,000	3,000	2,510	490
Capital outlay	3,000	3,000	11,374	(8,374)
Total expenditures	<u>807,645</u>	<u>807,645</u>	<u>707,586</u>	<u>100,059</u>
Excess of revenues over (under) expenditures	<u>(37,145)</u>	<u>(32,563)</u>	<u>101,140</u>	<u>133,703</u>
Other Financing Sources (Uses):				
Operating transfers out			(57,576)	(57,576)
Total other financing sources (uses)			<u>(57,576)</u>	<u>(57,576)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses		(32,563)	43,564	76,127
Fund balance, July 1	<u>689,942</u>	<u>689,942</u>	<u>689,942</u>	
Fund balance, June 30	<u>\$ 652,797</u>	<u>\$ 657,379</u>	<u>\$ 733,506</u>	<u>\$ 76,127</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Mosquito and Vector Management District of Santa Barbara County (the District), originally named Isla Vista Mosquito Abatement District, changed in 1961 to Goleta Valley Mosquito Abatement District, changed in 1994 to Santa Barbara Coastal Vector Management District, and in 2006, to its current name, was formed in 1959 by the action of the Santa Barbara County Board of Supervisors. In 1996, the Local Agency Formation Commission (LAFCO) increased the District's sphere of influence to include the entire county except for the territory within the Carpinteria Mosquito Abatement District, the city of Santa Barbara and the remainder of the unincorporated area of Santa Barbara County. Through reorganization, effective January 1, 1999, the District annexed the Carpinteria District. The District receives its funding via property taxes paid for the Goleta and Carpinteria, California areas.

In 2002, the District received approval from the County Board of Supervisors and the Local Area Formation Commission to form a Countywide District that would add to its current service areas, all incorporated cities and unincorporated areas on Santa Barbara County. The implementation of Countywide District is pending during examination of the funding mechanisms required to service the District.

B. Reporting Entity

The reporting entity is the Mosquito and Vector Management District of Santa Barbara County. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) the annual benefit assessment that is assessed to all property owners within the District's service area and is reported as charges for services, and 2) contract services that represent Service Zones for service to other agencies or entities for service outside the District's current service area. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenues arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. On governmental funds financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net assets, revenues, and expenditures. District's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into two major funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Reserve Fund* is used to account for the accumulation of resources for, and the payment of, capital asset replacement costs.

G. Budgets and Budgetary Accounting

The District adopts an annual budget on or before August 30 of each year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations.

The Board of Trustees may amend the budget by motion during each fiscal year. The original and revised budgets are presented for the General Fund.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the District are subject to annual review by the Board of Trustees; hence, they legally are one year contracts with an option for renewal for another fiscal year.

H. Investments

Investments are stated at fair value.

I. Inventory and Prepaid Items

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at the lower of cost (first-in, first-out) or market and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the period benefited.

J. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

K. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets (Continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets. The estimated useful lives are as follows:

Equipment	7 to 10 years
Structures	10 to 50 years

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

N. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund from which it will be paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

O. Fund Equity:

- Reserved Fund Balance indicates that portion of fund equity which has been legally segregated for specific purposes;
- Designated Fund Balance indicates that portion of fund equity for which the Board of Trustees has made tentative plans for financial resource utilization in a future period; and
- Undesignated Fund Balance indicates that portion of fund equity balance which is available for budgeting in future periods.

P. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 49

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". The Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and clean ups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. Implementation of GASB Statement No. 49, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2009.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 52

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The Statement is effective for periods beginning after June 15, 2008. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Implementation of GASB Statement No. 52, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2009.

Governmental Accounting Standards Board Statement No. 55

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of Generally Accepted Accounting Principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. Implementation of the GASB Statement No. 55, did not have an impact on the District's financial statement for the fiscal year ended June 30, 2009.

Governmental Accounting Standards Board Statement No. 56

For the fiscal year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 56, "Codification of Accounting and Financing Reporting Guidance Contained in the AICPA Statements of Auditing Standards". The Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statement on Auditing Standards. This Statement addresses three issues not included in the authority's literature that established *accounting* principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. Implementation of the GASB Statement No. 56, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2009.

NOTE 2 - CASH AND INVESTMENTS

The District maintains all of its cash in the Santa Barbara County Treasury. The County Treasurer pools and invests the District's cash with other funds under her control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily deposit balance. Any investment gains or losses are proportionately shared by all funds in the pool.

Investments are carried at fair value. On June 30, 2009, the District had the following cash and investments on hand:

Cash and investments on deposit with County Treasurer	\$ <u>1,011,068</u>
Total cash and investments	\$ <u>1,011,068</u>

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net assets	\$ 1,011,068
Total cash and investments	<u>\$ 1,011,068</u>

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Disclosures Relating to Interest Rate Risk

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Santa Barbara County Investment Pool	\$ 1,011,068	\$ 1,011,068	\$ -	\$ -	\$ -
Total	<u>\$ 1,011,068</u>	<u>\$ 1,011,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	Aa	Not Rated
Santa Barbara County Investment Pool	\$1,011,068	N/A	\$ -	\$ -	\$ -	\$1,011,068
Total	<u>\$1,011,068</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,011,068</u>

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

Investment in Santa Barbara County Investment Pool

The District is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara County Investment Pool, which are recorded on an amortized cost basis.

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NOTE 3 - PROPERTY TAXES

Property taxes in the State of California are administered for all local agencies at the County level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of the County of Santa Barbara for the secured for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provision of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at the time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections - are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 90-91 Budget Act, authorized Counties to collect an administrative fee for collection and distribution of property taxes.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Deletions	Balance June 30, 2009
Governmental activities				
Nondepreciable capital assets				
Land	\$ 175,000	\$ -	\$ -	\$ 175,000
Total nondepreciable capital assets	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,000</u>
Depreciable capital assets:				
Buildings and improvements	\$ 230,978	\$ -	\$ -	\$ 230,978
Equipment	351,802	11,374	37,830	325,346
Total depreciable capital assets	582,780	11,374	37,830	556,324
Less accumulated depreciation	<u>339,931</u>	<u>43,223</u>	<u>37,830</u>	<u>345,324</u>
Net depreciable capital assets	<u>\$ 242,849</u>	<u>\$ (31,849)</u>	<u>\$ -</u>	<u>\$ 211,000</u>
Net capital assets	<u>\$ 417,849</u>	<u>\$ (31,849)</u>	<u>\$ -</u>	<u>\$ 386,000</u>

NOTE 5 – LONG-TERM DEBT

Changes in long-term liabilities

The following is a summary of long-term liability activity for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Compensated absences	\$ 18,727	\$ 5,365	\$ -	\$ 24,092	\$ -
Governmental activities Long-term liabilities	<u>\$ 18,727</u>	<u>\$ 5,365</u>	<u>\$ -</u>	<u>\$ 24,092</u>	<u>\$ -</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Santa Barbara County Public Employees' Retirement System (Retirement System) was organized under the provisions of the 1937, County Employees' Retirement Act on January 1, 1944. The Retirement System operates a cost sharing multiple employer defined benefit plan. Members include all permanent employees working full time or least 50% part time for the County, Carpinteria-Summerland Fire Protection District, Santa Barbara Coastal Vector Management District, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District (APCD), and the Santa Barbara County Association of Governments.

The Retirement System has eight retirement plans, five are currently available to new employees. All new general member employees (except those of APCD) are enrolled in the contributory General Plan 5b. All new Safety members are enrolled in the contributory Safety Plan 4b. All open plans provide benefits as defined by law upon retirement, death, or disability of members based on age, years of service, final average salary (generally 12 highest consecutive months), and the benefit options selected. Cost of living adjustments after retirement are provided in all plans except General Plan 2.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 – DEFINED BENEFIT PENSION PLAN (Continued)

Fiduciary Responsibility

The Retirement System is controlled by its own board, the Board of Retirement, which acts as a fiduciary agent for the accounting and control of member and employer contributions and investment income. The Retirement System publishes its own Comprehensive Annual Financial Report and receives its own independent audit. The Retirement System is also a legally separate entity from the County and not a component unit.

Additional detailed information and financial statements of the Retirement System can be obtained from the Santa Barbara County Employees' Retirement System, located at 105 E. Anapamu Street, Santa Barbara, California 93101.

Funding Policy

Contributions are made by members and employer at rates recommended by an independent actuary, approved by the Board of Retirement, and adopted by the County Board of Supervisors. Employee contributions are based upon age of entry to the System. Member contributions cannot be withdrawn until separation from employment. Member contributions forfeit to the Retirement System after five years if the member does not request a refund and is not vested.

Active members contribute a certain percentage of their salary based on the member's age on the date of entry into the Plan and the District is required to contribute an amount based on an actuarially determined date. The required employer contribution rate for the fiscal year ended June 30, 2009, was 20.54% of annual payroll. The District's contributions to the Plan for the fiscal years ending June 30, 2009, 2008, and 2007, were \$63,944, \$51,172, and \$45,989, respectively, and equal 100% of the required contributions for each fiscal year.

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NOTE 7 – RISK MANAGEMENT

The District participates with thirty-three (33) mosquito abatement and vector control districts in California in a joint venture under a joint powers agreement which establishes the Vector Control Joint Powers Agency (VCJPA) under the provisions of California Government Code Section 6500 et. seq. The relationship between the District and VCJPA is such that VCJPA is not a component unit of the District for financial reporting purposes. The VCJPA is governed by a Board of Directors, which meets four times per year. The day-to-day business is handled by a management group employed by the VCJPA.

The District is covered for the first \$1,000,000 of each general liability claim, and \$350,000 of each workers' compensation claim through the VCJPA. The District has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the District's account for liability losses under \$2,500, and workers' compensation losses under \$5,000. The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$15,000,000. The VCJPA participates in an excess pool which provides workers' compensation coverage from \$350,000 to \$100,000,000.

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2009

NOTE 8 - INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2008-2009 fiscal year, are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ -	\$ 57,576
Capital Reserve Fund	<u>57,576</u>	<u> </u>
Totals	<u>\$ 57,576</u>	<u>\$ 57,576</u>

NOTE 9 – NET ASSETS

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted, and unrestricted:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.